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State Representative • 3rd Assembly District

SB 425

Meat Processing Facility Investment Tax Credit Senate Committee on Agriculture & Higher Education February 20, 2008

Thank you for the opportunity to testify on Senate Bill 425 (SB 425), which creates a refundable meat processing facility investment tax credit.

Wisconsin's meat processing industry generates approximately \$12.3 billion in annual economic activity and provides nearly 90,000 jobs in our state. According to the Department of Agriculture, Trade and Consumer Protection, there are 287 official meat establishments (product available for sale to general public) and 56 custom exempt meat establishments (meat not for sale to the general public – owner of the animal receives the meat back after processing) operating in the State of Wisconsin.

The industry is comprised of both large meat processors as well as smaller plants that serve specialty markets in the state and the surrounding region. Both sectors of the industry need to reinvest in their operations in order to stay competitive and grow their businesses.

Under a current outdated and onerous federal law, many state meat processors cannot ship meat to other states despite state inspection standards which are equal to federal inspection standards. There are efforts underway at the federal level to lift the ban on the shipment of state inspected meat. If the ban is lifted - as expected under the final version of the 2007 Farm Bill - new business and growth opportunities will be available to Wisconsin's meat processing industry.

The Meat Processing Facility Investment Tax Credit is modeled after the Dairy Manufacturing Facility Modernization Tax Credit enacted under the 2007-09 biennial budget.

SB 425 will provide meat processors a refundable tax credit of up to 10% of qualified investments in a taxable year. Credit eligibility is capped at \$200,000 per processing facility. Eligible modernization investments include: building construction, building additions, upgrades to utilities, updated livestock intake and storage facilities, processing and manufacturing equipment, packing and handling equipment, waste treatment and management equipment, and computer software.

The credit will be available for investments made starting with taxable year 2009, through taxable year 2016. The maximum amount of credits that may be claimed, statewide, in fiscal year 2009-10 is \$300,000, and the maximum amount of credits that may be claimed in each fiscal year thereafter is \$700,000. As with the Dairy Manufacturing Facility Modernization Tax

Credit, if demand for the credit exceeds the amount allocated for the credit, the distribution of the credit will be prorated among the eligible applicants.

The Assembly companion to this bill (AB 732) was recommended for passage by a unanimous vote of the Assembly Committee on Agriculture. The Committee did, however, adopt a technical amendment per the recommendation of the Department of Revenue. I understand Sen. Vinehout will be offering the same amendment to SB 425.

The amendment clarifies that a taxpayer who claims a credit must claim the credit amount as income for tax purposes in the next tax year so the taxpayer does not receive a double benefit for the same activity. This is standard for such tax credits. In addition, the amendment specifies that, as with other credits administered by the Department of Commerce, the taxpayer is to attach a copy of the certification and credit allocation from Commerce to the tax return for the year in which the credit is claimed.

Thank you for your time. I would be happy to take questions from the committee at this time.



KATHLEEN VINEHOUT

STATE SENATOR

SB 425/Meat Processing Facility Investment Tax Credit

I recently heard a story about RJ Meats, an award-winning brat maker in Hudson. The Minnesota State Fair wanted to place an order for 5,000 brats which would have been a boon to his business. Unfortunately, RJ could not send the brats because of an out dated federal law. Wisconsin has 287 state-inspected meat processors and the meat industry generates approximately \$12.3 billion in annual economic activity and provides nearly 90,000 jobs in our state. With numbers like those think about how often a scenario like this has happened.

Under current federal law, many state meat processors cannot ship meat to other states despite state inspection standards which are equal or superior to federal inspection standards. This federal law is outdated and onerous. A processor could ship buffalo or ostrich meat but not beef or pork across state line under the current rules. Fortunately, there are significant efforts underway at the federal level to lift the ban on the shipment of state inspected meats, and a change is full expected in the conference farm bill. This situation came up in Sen. Lassa's Committee on Economic Development last year and many of the committee members here signed a letter urging Congress to update the law.

If the ban is lifted, new business and growth opportunities will be available to Wisconsin's meat processing industry. When smaller processors were recently surveyed, approximately one-third of them indicated they would expand and add jobs if they could sell their product across state lines.

The Meat Processing Facility Investment Tax Credit is modeled after the Dairy Facility Modernization Tax Credit enacted under the 2007-09 biennial budget and will allow processors to take advantage of changes at the federal level to grow their businesses.

This tax credit will provide meat processors a refundable tax credit of up to 10% of qualified investments in a taxable year. Credit eligibility is capped at \$200,000 per processing facility. Eligible investments include: building construction, building additions, upgrades to utilities, updated livestock intake and storage facilities, processing and manufacturing equipment, packing and handling equipment, waste treatment and management equipment, and computer software.

The credit will be available for investments made starting with taxable year 2009, through taxable year 2016. The maximum amount of credits that may be claimed in fiscal year 2009-10 is \$300,000, and the maximum amount of credits that may be claimed in each fiscal year thereafter is \$700,000. As with the Dairy Facility Modernization Tax Credit, if demand for the credit exceeds the amount allocated for the credit, the distribution of the credit will be prorated among the eligible applicants.

We know that Wisconsin meat producers regularly win acclaim for their products. SB 425 will help grow our economy and help us to sell Wisconsin specialty brats at Wrigley Field and the Metrodome.

